



**Director of
Central
Intelligence**

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National Intelligence Daily

**Wednesday
4 November 1987**

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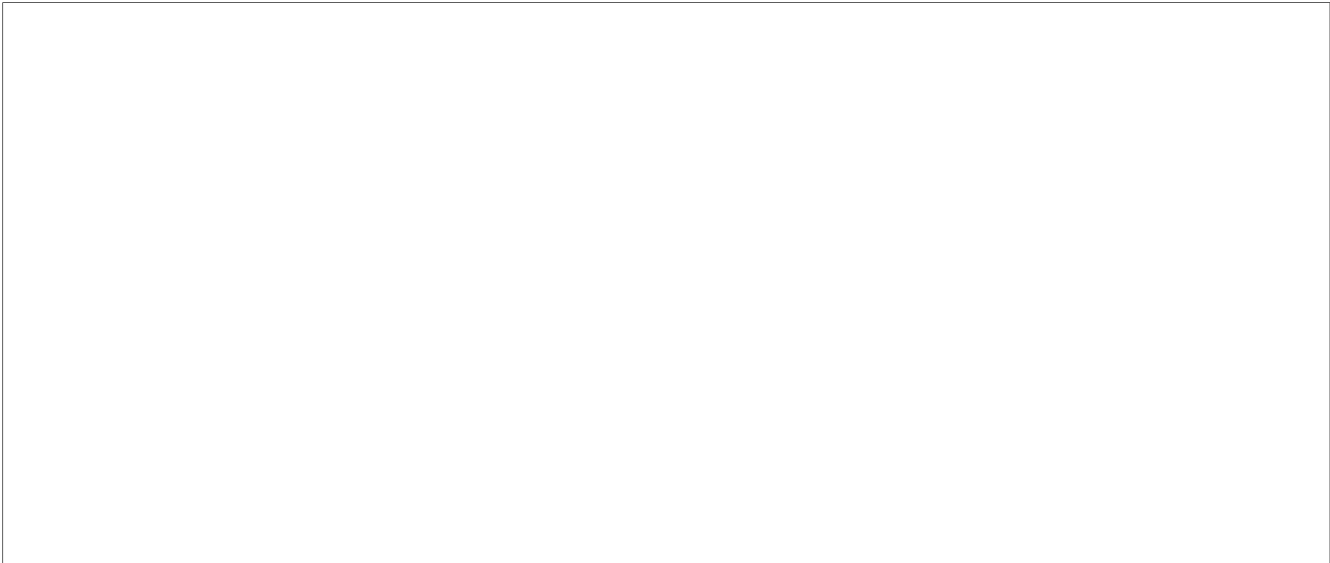
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PERSIAN GULF: Situation Report



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Bombing in Kuwait

The Kuwaitis believe that the bombing near the Ministry of Interior yesterday was the work of Iranian-sponsored terrorists, [redacted] [redacted] No group has claimed responsibility, however, and [redacted] Kuwaiti security authorities have no suspects. [redacted]

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Comment: The bombing—the second in Kuwait in 10 days—is likely to increase tensions between Kuwait’s Sunnis and the country’s large Shia minority. [redacted]

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French Arms Sales to Saudi Arabia

France is offering to sell Saudi Arabia nearly \$1 billion worth of fast patrol boats, attack helicopters, and associated support equipment, [redacted] The Saudis had requested immediate assistance early last month when they feared attacks from masses of Iranian small boats on their offshore oil platforms. [redacted]

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Comment: Riyadh is likely to urge early delivery of the weapons, a requirement the French probably can accommodate. Nonetheless, Saudi manpower shortages and training requirements will delay any

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immediate improvement in Saudi Arabia's defensive capabilities. The Saudi purchase of French attack helicopters will temper interest in similar US systems. [REDACTED]

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**Dutch and Belgian
Minesweepers
Arrive**

The Dutch-Belgian mine-clearing force has arrived in the Gulf of Oman and will begin operating this week off the UAE coast, according to [REDACTED] The ships will use Wudam naval base in Oman for logistic and maintenance support. [REDACTED]

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Comment: The use of Wudam will be critical to the functioning of the ships. At least two had engineering problems on the way to the Gulf and had to stop at Djibouti for repairs. [REDACTED]

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SYRIA-USSR:**Discussions on Soviet Naval Base**

Senior Soviet and Syrian military officials concluded an initial agreement in Damascus last week for construction—to begin late this month—of an autonomous Soviet naval repair and maintenance facility near Tartus, [REDACTED]

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Syrian Defense Minister Talas allegedly represented the Syrians in the negotiations, and Commander in Chief of Soviet Naval Forces Chernavin headed the Soviet delegation. The Soviets have pledged to deliver at least one additional submarine and up to 15 coastal defense ships and may cancel a large portion of Syria's military debt of at least \$10 billion in return for unrestricted ownership of the facility,

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Comment: The agreement would give the Soviets their first naval base in the region since they were expelled from Egypt in 1976. There is no corroborating evidence to confirm such a deal, however, or the presence of Chernavin in Syria last week. Syrian President Assad has long opposed granting permanent basing rights to the Soviets, and he would be extremely reluctant to turn over control of any Syrian territory to Moscow. [REDACTED]

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Although the Soviets probably are eager to expand their naval presence in Syria, they have no pressing military need for a permanent repair and maintenance base there. The Soviet Navy meets its logistic needs in the Mediterranean with naval auxiliary ships and limited port access rights. [REDACTED]

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Soviet promises of additional coastal defense equipment—although a high priority for the Syrians—and cancellation of part of Syria's military debt almost certainly would not be enough incentive to persuade Assad to endorse such an agreement with the Soviets. In view of Syria's crippling economic crisis and massive military debt to the USSR, however, Assad may be considering lesser measures, such as allowing expanded Soviet naval access with limited onshore facilities. [REDACTED]

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HAITI:**Duvalierist Candidates Disqualified**

Haiti's electoral commission has rejected the candidacies of 12 presidential contenders linked to the Duvalier regime and has postponed local elections but apparently remains committed to holding national contests on 29 November despite violent rightwing reactions. [redacted]

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Those barred from holding office are all well-known Duvalierist figures, according to the US Embassy. Some of the remaining 23 candidates, including centrist front-runners Marc Bazin and Leslie Manigat, held office under the Duvalier regime but lack close ties to it. [redacted]

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The commission announced that local elections originally scheduled for 15 November will be held 20 December, the same day the presidential runoff is to be held. A shortage of candidates for local office, incomplete registration of voters, and logistic problems prompted the commission to delay the local contests, according to the US Embassy. [redacted]

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Yesterday, Duvalierist supporters burned the commission's office in Port-au-Prince and attacked the homes and businesses of several opponents of the former regime, according to press reports. [redacted]

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[redacted] President Namphy and ruling council member Regala recently said privately that they would take control of the election process if the commission's actions sparked widespread unrest. Namphy also said he will not assign the Army to protect commission members even if their lives are threatened. [redacted]

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Comment: The commission's rejection of Duvalierist candidacies is within its responsibilities under the constitution and will be popular with most Haitians. The extreme right, however, now has no stake in the democratic process and is likely to view a military coup as its only chance of regaining power. [redacted]

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Some extremists undoubtedly will seek to provoke such a move by sponsoring a wave of violence. Any attempt by the ruling council or the military to take control of the electoral process would be virtually certain to arouse widespread protests and end any chance that the elections will produce a stable government. [redacted]

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**CENTRAL
AMERICA:****Verification Measures**

A report issued by the joint OAS-UN technical mission that visited Central America last week leaves the resolution of most contentious issues up to the 15-member International Verification Commission, which meets on Saturday.

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The OAS-UN team says the Central Americans have not precisely defined the requirements for verification, making it impossible to make recommendations about the size, composition, or operations of an observer group. The report notes that Guatemala and Costa Rica say they will defer to the wishes of the other countries. Only one country said that the responsibility to end aid to insurgents must be linked to the performance of other countries on democratization and amnesty.

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Nicaragua and El Salvador said they would welcome verification of unilateral cease-fires. Nevertheless, the team said the lack of a negotiated cease-fire would make verification "impossible" and would interfere with verifying government commitments to end aid to guerrilla forces as well. A UN member of the team told the press that no country had requested a UN peacekeeping force.

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Meanwhile, Guatemala, El Salvador, and Costa Rica are planning to issue individual letters tomorrow calling for suspension of aid to all guerrillas in the region, according to US Embassy reporting. Costa Rica's Foreign Minister told the US Embassy that he favors a statement saying suspension of aid should depend on certification of compliance with the peace accord.

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Comment: The OAS-UN team did not recommend a large UN peacekeeping force, as the democracies feared it would, but the failure of the democracies to advance proposals for the composition of an observer group could allow the International Verification Commission to design a proposal that favors Nicaragua. The technical team's refusal to verify unilateral cease-fires probably reflects a concern for the physical safety of the observers but could be used by the democracies to criticize Managua's rejection of negotiations.

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A decision by the democracies not to make the suspension of external aid to the guerrillas conditional on compliance with the peace plan would undercut efforts to press Nicaragua to negotiate with its insurgents.

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HONDURAS:**Coping With Compliance Pressures**

Honduras has growing doubts that the US will continue funding the anti-Sandinista rebels and is likely to intensify efforts to restrict insurgent use of Honduran territory as part of its effort to comply with the Central American peace plan. [redacted]

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[redacted] some key Honduran military leaders are concerned that Washington may soon be forced to dismantle the insurgent program, leaving Tegucigalpa to cope unaided with Managua and the combatants. During a meeting of the Central American Foreign Ministers last week, the Nicaraguans agreed to stop supporting Honduran subversives if Honduras expelled insurgent forces from its territory, but Managua did not specify any actions or timetable. [redacted] The Honduran military subsequently ordered the anti-Sandinista press office in Tegucigalpa to relocate and to maintain a low profile for several weeks. [redacted]

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President Azcona yesterday announced the composition of the Honduran National Reconciliation Commission, and he has said he will call for a summit of Central American Presidents by the end of the month if the peace plan is not fully implemented by 5 November, according to the press. Following his unofficial visit to Washington last month, Azcona publicly called on the US not to provide military aid to the insurgents until after 5 January 1988, when the Central Americans assess compliance with the plan. According to the US Embassy, the Hondurans believe they are becoming increasingly isolated and are bracing to accede to on-site inspections by the International Verification Commission. [redacted]

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Comment: Honduran doubts about Washington's support for the anti-Sandinistas may be leading Tegucigalpa to explore other ways of easing tensions with Managua. The reported Foreign Ministers' agreement to ban insurgent and subversive bases in both Honduras and Nicaragua probably requires the approval of military leaders in both countries. Nonetheless, Honduras is likely to increase its efforts to reduce the visibility of insurgents using Honduran bases and may soon move to shut down their logistic base at Aguacate, if the international community believes the Sandinistas are complying with the peace plan. [redacted]

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Honduran leaders apparently came away from their US visit convinced the US Congress will reduce aid to Honduras if it does not comply with the peace plan. Although the Hondurans probably will try to delay on-site inspections by the Verification Commission, they appear resigned to this eventuality and probably will feel compelled to close additional insurgent bases before January 1988. [redacted]

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POLAND:**Solidarity Forms New Leadership Group**

In an effort to deal with increasing regime pressure since the amnesty last fall, as well as divisions within its top leadership, Solidarity has combined two temporary leadership bodies into a new National Executive Commission. [REDACTED]

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There are few details about the new organization or the political leanings of its new members, but members are expected to serve two-year terms with the exception of Walesa, who will be a permanent member. The nine-member Commission will make decisions by majority vote rather than consensus. The government has summoned Walesa and the other members of the Commission to justify the new executive committee. [REDACTED]

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Comment: Decisions by majority vote should give Solidarity the ability to respond more quickly and coherently to government challenges, but it is also likely to heighten the struggle between the moderates and radicals to control Solidarity. Debates over tactics have caused delays and, in the case of the \$1 million US Congressional grant to Solidarity, Walesa was forced to make a controversial unilateral decision. [REDACTED]

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Over the long run, the moderates led by Walesa may have the upper hand because of his personal stature and the fact that he is the only permanent member of the Commission. Nonetheless, even Walesa will be forced now and then to abide by a majority decision he opposes, such as the Commission's recent decision to boycott the 29 November referendum on economic and political reform. [REDACTED]

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ANGOLA: Cuban Aircrew Captured

In an unusual public acknowledgment, Havana has identified the pilot of a Cuban MIG fighter shot down in southeastern Angola last week as Lt. Col. Manuel Rojas. [REDACTED]

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[REDACTED] Rojas is the second in command of Cuba's Air and Air Defense Forces in Angola and one of Havana's most competent officers there. UNITA claims that it captured the two-man Cuban crew unharmed and will present them at a press conference next week at UNITA headquarters in Jamba. [REDACTED]

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Comment: The capture of such a high-ranking officer would compound Havana's embarrassment over the defections of [REDACTED] two other high-level officers earlier this year. Moreover, if Rojas cooperates with UNITA, he could provide the insurgents with valuable information on Cuban and Angolan military plans and vulnerabilities. Cuban aircraft were used sparingly during the recent fighting, and the downing of the Cuban fighter is likely to make Havana even more reluctant to risk its aircraft. [REDACTED]

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CHINA-CAMBODIA: Beijing Showing Flexibility

Chinese Vice Foreign Minister Zhu Qizhen told Under Secretary Armacost yesterday that Beijing does not support the Khmer Rouge as the "main body" in a future Cambodian government although China does want the group represented in a ruling coalition. A Chinese Foreign Ministry official last week admitted to US diplomats in Beijing that China had become somewhat more supportive of Prince Sihanouk as the only acceptable leader of a coalition government even if the Khmer Rouge disagrees. The same day the Chinese Ambassador to Thailand told reporters that China supports talks between Sihanouk and PRK Premier Hun Sen—a meeting about which the Khmer Rouge has reservations. [REDACTED]

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Comment: Beijing probably is concerned that it may become isolated from diplomatic movement on Cambodia and thus is distancing itself somewhat from the Khmer Rouge in order to shore up relations with Prince Sihanouk and to respond to Soviet and Vietnamese efforts to project more flexibility. Beijing is sensitive to the charge that China is willing to see the Cambodian conflict continue indefinitely. The Chinese probably hope to entice concessions from Moscow and to play down the impression that China and the Khmer Rouge pose a major obstacle to the peace process while continuing to rely on the Khmer Rouge as the resistance's most effective fighting force. [REDACTED]

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CHINA-IRAN: Further Talks on Nuclear Cooperation

Chinese and Iranian nuclear officials have met several times since August to discuss nuclear cooperation. [redacted]

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[redacted] most of the talks expanded on topics previously discussed and dealt with the nuclear fuel cycle or materials and technology Iran wished to acquire, including two types of research reactors. In a previous meeting, the Iranians reportedly expressed interest in cooperating on examination of irradiated fuel elements. [redacted]

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Comment: Some of the technology and items discussed are not considered sensitive and would not pose IAEA safeguards concerns. Irradiated fuel examination and some technologies mentioned, however, might indirectly assist Iran in developing a reprocessing capability, because they involve some of the same mechanical and chemical procedures. Iran is a signatory of the Non-Proliferation Treaty and is obliged to place all its nuclear facilities under IAEA safeguards. In addition, Beijing has verbally pledged to place IAEA safeguards on its nuclear exports. [redacted]

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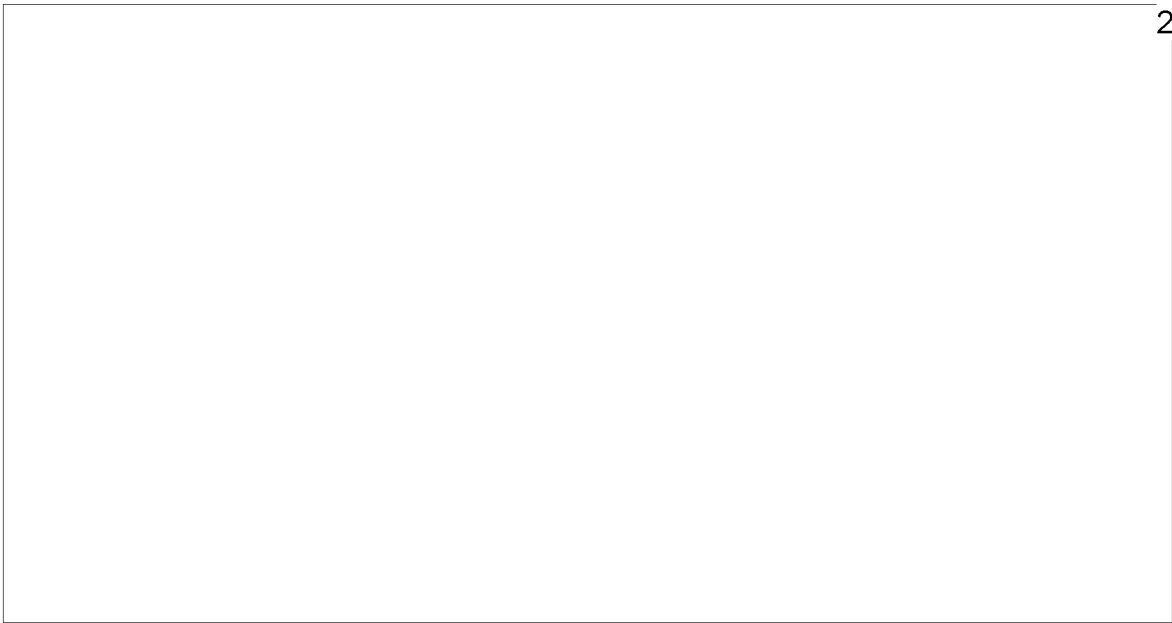
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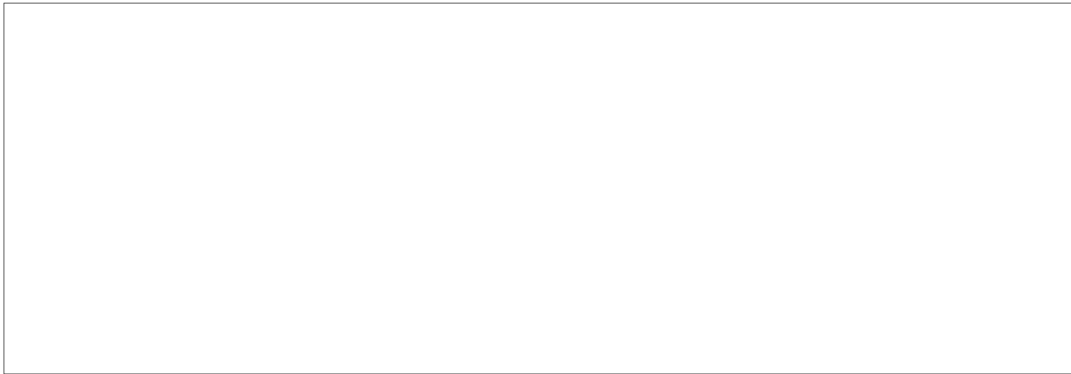
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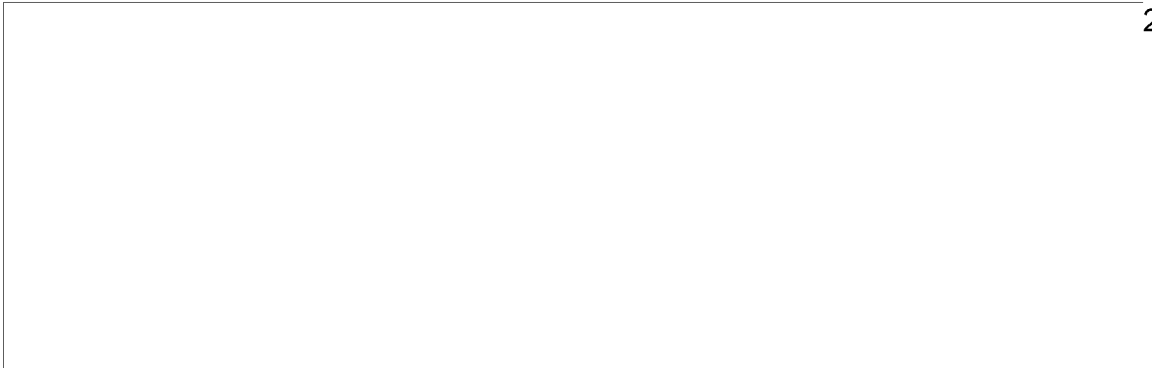
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In Brief**Europe**

- **Italian** Defense Minister Zanone in US this week to discuss nuclear, conventional strategies, European security cooperation, counterterrorism . . . will be key voice in winning approval of post-INF force adjustments. [REDACTED]

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East Asia

- Bombing attempt thwarted by police in Manila yesterday probably rightist effort to embarrass **Philippine** Government . . . incident at site of next month's ASEAN summit occurred on eve of Foreign Secretary's trip to reassure attendees about security. [REDACTED]
- **Indonesian** President Soeharto extending tenure of armed forces Commander Murdani by one year . . . was to retire at yearend . . . assures loyal leadership of military through Soeharto's pro forma reelection in March. [REDACTED]

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Middle East

- Two **Lebanese** guards employed by US Embassy in Beirut shot at rifle range Monday by members of Christian Lebanese Forces militia . . . case of mistaken identity . . . militia continues to push US to deal with it as political entity. [REDACTED]

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- **North Yemeni** troops involved in border clash with **South Yemen** last week were escorting Western oil explorers, [REDACTED] . . . proximity of their oil concessions will be continuing source of border problems. [REDACTED]

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Americas

- **Argentina's** labor confederation calling 10-hour general strike today . . . intended as political show of force against government's austerity policies . . . ninth general strike since President Alfonsin took office in 1983. [REDACTED]

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Africa

- **Zimbabwe** negotiating for **UK** light attack aircraft, radar system, surface-to-air missiles, [REDACTED] Harare unhappy with cost, utility of **Soviet** air defense package . . . prospects dim for MIG-29 purchase. [REDACTED]

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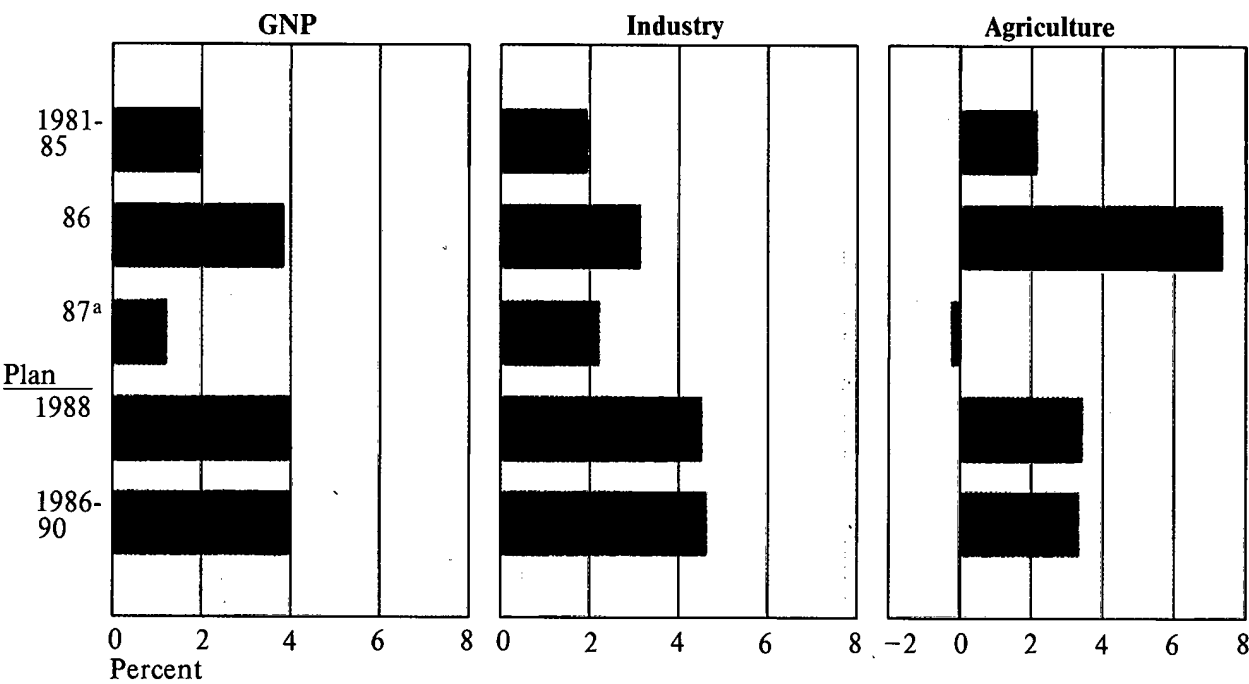
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USSR: Economic Growth, 1981-90



^a Projected.

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Special Analysis**USSR:****Economic Performance in 1987, Plans for 1988**

After a relatively good performance in 1986, the Soviet economy is sputtering again this year. GNP is likely to rise by only 1 to 1.5 percent in 1987, industrial production by 2 to 2.5 percent. Unless changes are made to the economic plan for 1986-90, General Secretary Gorbachev's effort to modernize the economy and increase the rate of growth may be seriously delayed.

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Industrial production in the first three quarters of the year rose slightly less than 2 percent, as compared with that of the same period last year. Of most concern to the leadership is the poor performance of the civilian machine-building sector—the linchpin of Gorbachev's modernization program. According to CIA estimates, machinery production increased little if at all during the first three quarters of the year. The Soviets acknowledge that the quality of new equipment is improving very slowly.

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Transportation backlogs have been a problem as well. The railroads—the backbone of the transport network—have cleared only a third of the freight backlog that built up during the first quarter. Freight shipments by all modes of transportation through the third quarter exceeded those of the first three quarters in 1986 by only about 1 percent. Overall agricultural output, meanwhile, will probably come close to last year's record high.

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One industrial sector performing well is energy. Oil production at the three-quarter mark was up 2 percent, and natural gas, electrical power, and coal posted substantial gains. The gains in industry have been achieved despite a slight decrease in the industrial work force, indicating that labor productivity is improving.

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The consumer has not fared well this year. CIA estimates that production of consumer durables dropped during the first three quarters. Light industry output, the source of most nondurable consumer products other than food, was up only about 2 percent, and the quality remains low. Performance in the processed foods industry also deteriorated in the third quarter of the year, and shortfalls in deliveries of fruits and vegetables to the retail trade network have drawn criticism from Soviet officials. Indeed, per capita retail sales were no higher than in January-September 1986, the first time this has happened since 1982—a year singled out by Gorbachev as a "precrisis" year.

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The 1988 Plan

As Moscow approaches the midpoint of the current five-year planning period, shortfalls in performance this year and problems implementing various aspects of the regime's program for revitalizing the Soviet economy would seem to necessitate downward adjustments in plan goals for 1986-90. [REDACTED]

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Recently released information on the plan for 1988, however, implies that there has been no letup from the ambitious goals of the 12th Five-Year Plan. GNP and industrial output are to rise by 4 percent and 4.5 percent, respectively, in 1988 relative to the planned output for 1987—about in line with the 1986-90 targets but roughly twice the average annual rates of growth posted so far. If 1987 plans are not met, as appears likely, the 1988 targets will be still more difficult to meet. Meanwhile, goals for productivity and resource conservation have been raised markedly, and enterprises have been told to increase the use of second and third shifts at their plants and place greater emphasis on technical advances. [REDACTED]

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The most striking new feature in the 1988 plan is the increased emphasis it places on the consumer. According to Gosplan chief Talyzin, the regime's approach to resolving social questions has been "radically changed."

- The plan calls for increasing the growth of production of food, soft goods, and consumer services over levels originally targeted in the 1986-90 plan.
- Goals for the construction of consumer-oriented facilities, such as housing, preschools, retirement houses, clubs, and theaters have also been raised.

According to Talyzin, these goals are to be financed by a shift in investment resources from other, unspecified, users. [REDACTED]

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A Puzzle

It is not clear why Gorbachev continues to promote high output targets while he tries to retool industry, restructure the economy, and raise the quality of production. To achieve the latter, the regime needs to reduce production goals for a few years, but Gorbachev apparently is either unwilling or politically unable to push through the adjustments necessary if the economy is to make gains in the years ahead. [REDACTED]

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Special Analysis**WEST
GERMANY-USSR:****Shift on German Issue Irks Bonn**

Soviet hints about a reassessment of Moscow's German policy have evoked interest in the Federal Republic and contributed to unease in the leaderships of both West and East Germany. []

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Valentin Falin, a former Soviet Ambassador to West Germany, [] that General Secretary Gorbachev had commissioned a study of Moscow's German policy, [] Falin reportedly said that while it was too early to discuss German reunification, the idea was "within the realm of possibility." In late September Falin also publicly noted that the 1971 four-power agreement on Berlin was not necessarily the last word on that city's status. []

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An official of the West German Ministry for Inner-German Affairs raised interest in the subject by publicly stating that Gorbachev has called for a reassessment of Soviet German policy. He asserted that Gorbachev envisaged a confederation of the two Germanys, contingent upon the withdrawal of foreign forces. Denials in Soviet and West German press that such proposals are under consideration have not dampened speculation in political circles. []

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German Reactions

Christian Democratic leaders undoubtedly are anxious that continued public discussion of such schemes, particularly after an INF agreement, may encourage restiveness in their own ranks as well as on the left. The attention these stories have drawn—as well as polls that show that most West Germans already attach as much importance to cooperation with Moscow as with Washington—suggests that such anxieties are well grounded. If the Soviets actually make any tangible concessions to West German sentiments—such as showing greater flexibility on Berlin—these currents could receive a powerful boost. []

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More immediately, Christian Democratic leaders probably believe that speculation about Soviet flexibility may boost the fortunes of the Free Democrats and the Social Democrats and hinder the government's efforts to modernize conventional or nuclear forces. They also fear increasing domestic pressure to expand technical cooperation with Moscow or to explore security issues on a bilateral basis. []

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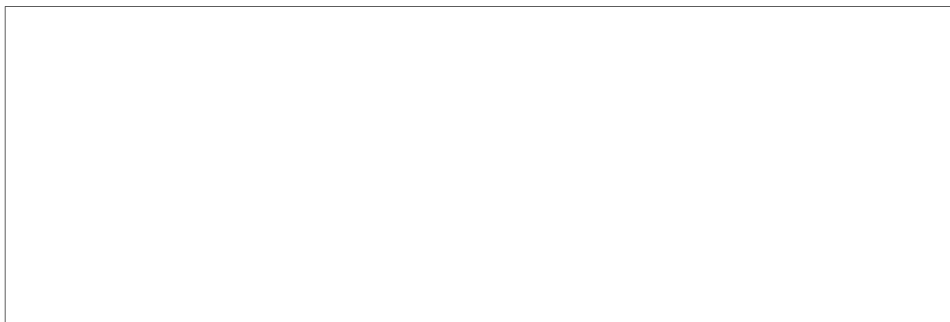
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East Germans Also Concerned

Like Kohl, East German leader Honecker has been visibly irritated by Soviet comments and told Kohl that a detailed Soviet plan is "still a long way off," [redacted]

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Honecker is probably concerned that Soviet moves could lead to Soviet compromises on the Berlin question that would betray East German national interests. He may also be wary that Soviet initiatives would intensify new domestic pressures for expanded contacts with West Germany. [redacted]

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